

Message Text

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C O N F I D E N T I A L OTTAWA 0552

E.O. 11652: GDS

TAGS: ENRG, CA, US

SUBJ: SENATOR MONDALE'S TALKS WITH CANADIAN OFFICIALS
ON BILATERAL ENERGY MATTERS

1. SENATOR MONDALE VISITED OTTAWA FEB 12 AND 13
AND MET WITH PRIME MINISTER TRUDEAU, FINANCE MINISTER
TURNER, ENERGY MINISTER MACDONALD, NEB CHAIRMAN CROWE,
OPPOSITION LEADER STANFIELD, AND OTHER OFFICIALS
CONCERNED WITH ENERGY MATTERS.
2. PRIOR TO MEETING WITH CANADIAN OFFICIALS, SENATOR
MONDALE HAD TWO-HOUR MEETING AT EMBASSY WITH AMBASSADOR
AND OTHER OFFICERS. HE INDICATED THAT HIS PRIME
IMMEDIATE CONCERN WAS PROSPECTIVE REDUCTION IN
CANADIAN OIL EXPORT LEVELS TO MINNESOTA AND
NEIGHBORING STATES. OVER LONGER TERM, SENATOR
MONDALE EXPRESSED HOPE THAT HIGH LEVEL US-CANADIAN
BILATERAL DISCUSSIONS COULD BE HELD AT VERY EARLY
DATE ON SPECIFIC PROJECTS, SUCH AS MACKENZIE VALLEY
GAS PIPELINE AND OIL SWAP ARRANGEMENTS.
3. WHILE EMBASSY WAS NOT RPT NOT INVITED TO
ATTEND ANY OF SENATOR MONDALE'S APPOINTMENTS, THE
FOLLOWING VIEWS WERE EXPRESSED AT PM TRUDEAU'S
LUNCHEON ATTENDED BY AMBASSADOR, MACDONALD,
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HEAD, AUSTIN AND NUTT:

A. MACDONALD SAID IT WOULD BE DIFFICULT TO INDICATE THAT CANADA MIGHT BE ABLE TO MAINTAIN EXPORTS AT 800,000 B/D LEVEL AFTER JULY 1, ALTHOUGH HE WOULD HAVE CLEARER VIEW OF POSSIBILITY FOLLOWING MEETING OF PROVINCIAL PREMIERS WITH PM IN APRIL. HE ACKNOWLEDGED THAT ALBERTA WOULD SUFFER REVENUE LOSS IF SHIPMENTS REDUCED TO 650,000 B/D BUT WOULD NOT RPT NOT BE TOO UPSET ABOUT SHUTTING-IN PRODUCTION BECAUSE OF ASPIRATIONS TO DEVELOP PETROCHEMICAL INDUSTRY.

B. SENATOR MONDALE EXPRESSED HOPE THAT MACKENZIE GAS LINE WILL CONNECT WITH U.S. GAS SYSTEMS IN NORTH CENTRAL STATES. REGARDING OIL, HE MENTIONED POSSIBILITY OF SUPPLYING VANCOUVER REGION AND U.S. MIDWEST WITH ALASKAN OIL BY REVERSING TANSMOUNTAIN PIPELINE.

C. CANADIANS INFORMED SENATOR THEY HAD PROPOSED BILATERAL MEETING WITH U.S., PROBABLY AT SUB-MINISTERIAL LEVEL. PM TRUDEAU SAID HE FELT TIME HAD COME WHEN CANADIANS SHOULD HAVE ACROSS-THE-BOARD EXCHANGE OF VIEW WITH U.S. ON ALL MATTERS OF INTEREST TO EITHER SIDE. SENATOR MADE POINT THAT SUBJECT IS ASSUMING INCREASING URGENCY IN VIEW OF CANADIAN SCHEDULE FOR PHASE-DOWN IN EXPORTS.

D. MACDONALD DISCUSSED PROBLEMS CREATED BY B.C. PREMIER BARRETT WHO, HE FEELS, IS UNDERMINING CONFIDENCE THROUGH HIS MANEUVERINGS ON GAS SUPPLY AND PRICE. SENATOR MONDALE SAID THERE IS A PROBLEM OF CONFIDENCE IN CANADIAN INTENTIONS WHICH WILL AFFECT U.S. DECISIONS ON MACKENZIE GAS LINE AND ALSO OF FINANCING IN VIEW OF LARGE AMOUNTS OF CAPITAL REQUIRED.

4. TO SEVERAL MEMBERS OF THE PRESS, SENATOR MONDALE CHARACTERIZED HIS VISIT AS ONE OF USEFULNESS, VERY COURTEOUS RECEPTION, AND FRANK EXCHANGE OF VIEWS. HE
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EMPHASIZED THAT WHILE HE HAD RECEIVED NO RPT NO COMMITMENTS ON LEVEL OF OIL SUPPLY TO HIS REGION, HE WAS HOPEFUL THAT MUTUALLY SATISFACTORY ARRANGEMENTS COULD BE WORKED OUT. HE SAID THAT "HIGH LEVEL" BILATERAL TALKS WOULD TAKE PLACE IN THE NEAR FUTURE AND SAID THAT HIS ADVICE ON THE U.S. SIDE WOULD BE THAT SUCH TALKS BE HELD URGENTLY ON VERY SPECIFIC PROJECTS IN ORDER TO MAKE TIMELY BREAKTHROUGH IN

ENERGY PROBLEMS FACED ON BOTH SIDES OF THE BORDER.

5. SENATOR MONDALE EXPRESSED VIEW PRIVATELY THAT
MACDONALD WAS OBVIOUS KEY FIGURE IN US-CANADIAN
ENERGY RELATIONS AND WAS CONSIDERABLY MORE SYMPATHETIC
TO U.S. PROBLEMS IN PRIVATE THAN HE COULD PROBABLY
AFFORD TO BE, OR WILL TO BE, IN PUBLIC. HE ALSO
COMMENTED THAT HE HAD RECEIVED IMPRESSION THAT
MACDONALD WAS EAGER TO HAVE THE MACKENZIE VALLEY GAS
PIPELINE MOVE AHEAD. HE HOPES TO FURTHER CULTIVATE
MACDONALD DURING A PLANNED VISIT TO MINNEAPOLIS IN
EARLY MARCH. PORTER

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